

## Determine if you need to be insured in the first place, and to what extent

Under Missouri Workers' Compensation Law, most employers with five or more employees must either have private workers' compensation insurance or be authorized to self-insure. However, employers in the construction industry with one employee must be covered.

There are also exceptions to these general rules. For example, the law does not apply to certain classes of employees such as farm laborers, domestic servants, certain real estate agents and direct sellers, inmates, volunteers of certain tax-exempt organizations and interscholastic and amateur youth sports officials. Also, the law does not apply to partners or sole proprietors unless they have individually elected to be covered.

The Division of Workers' Compensation of the Missouri Department of Labor & Industrial Relations is the state agency with the responsibility of seeing that employers who are required to maintain coverage comply with the law.

## If you are in fact required by Missouri law to insure, decide whether "self-insuring" is an option

The Division of Workers' Compensation has rules that allow individual employers and groups of employers to self-insure. This basically means that the business pays for workers' compensation benefits out-of-pocket. Some self-insured employers also procure "excess" insurance to protect against the cost of large or catastrophic claims. The division must certify employers before they can legally self-insure. The division's main concern in the certification process is whether the employer will have the financial ability to pay the claims associated with injured employees. If you believe you might have the ability to pay claims, you should consider self-insuring. Doing so could save some of the costs associated with a traditional insurance policy.

## Consider a deductible policy

Employers who are unable to meet the division's self-insurance certification criteria may be able to self-insure a portion of their exposure by purchasing a deductible policy from a traditional insurer. Under such a policy, the insurer will still be liable to pay all of your claims, but will then seek reim-

bursement from you for a portion of those claims. In return, it will lower the cost of the policy.

## Pay any medical-only claims less than \$1,000 out-of-pocket

Another option available to employers who have traditional, non-deductible workers' compensation insurance is to pay for certain claims out-of-pocket. If the injured employee misses no time from work, needs only medical care, and the cost of that care does not exceed \$1,000, the employer is allowed to pay that cost out-of-pocket. While the employer is still required to report such injuries to its insurance company and the division, the cost of the injury cannot be factored into the calculation of the employer's experience modification factor or mod. By helping to lower the mod, this option will help lower the employer's future premiums.

## Understand the experience modification factor

The goal of an experience modification factor or mod is to adjust an employer's premium up or down to reflect whether the employer has higher or lower losses than would be expected of other employers in his or her governing job classification code. Not all employers are experience-rated; an employer's premium must be greater than \$7,000 in one year or greater than \$3,500 for each of two years to be subject to experience rating factor. If eligible, the NCCI calculates the mod based on data from an employer's previous three years of experience, as reported by the employer's insurance company. If, during that period, an employer's losses are higher than would be expected for the relevant job classification code, the mod will be above 1.00. Applying this factor in the premium calculation will increase the final premium. The opposite occurs if the employer's losses are lower than expected.

This is why paying "medical-only" claims of less than \$1,000 may be beneficial. If these losses are not included in the losses used to calculate a mod factor, it will lower premiums for three years in the future.

## Workers' Compensation - Quick Reference Guide

### Missouri Department of Insurance, Financial Institutions & Professional Registration:

Harry S. Truman Building  
301 West High St., Room 530  
P.O. Box 690  
Jefferson City, MO 65102  
<http://www.difp.mo.gov>  
Consumer Insurance Hotline 1-800-726-7390  
TDD Number 573-526-4536  
Property & Casualty Section 1-800-394-0964

### Missouri Division of Workers' Compensation:

3315 West Truman Boulevard Room 131  
P.O. Box 58  
Jefferson City, MO 65102  
<http://www.dolir.mo.gov/wc/>  
Employer Hotline 1-888-837-6069  
Employee Hotline 1-800-775-2667  
Workers' Safety Program 573-526-3504  
Early Dispute Resolution Unit 573-526-4951  
Self-Insurance Unit 573-526-6004  
Benefit Unit 573-522-1467  
Fraud & Noncompliance Unit 1-800-592-6003  
Crime Victims' Compensation 1-800-347-6881

### National Council on Compensation Insurance (NCCI)

1-800-622-4123  
<http://www.ncci.com>

### Missouri Association of Insurance Agents (MAIA)

1-800-617-3658  
<http://www.missouriagent.org>

### Travelers Commercial Casualty Company

1-800-842-9346

# Workers' Compensation

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**DIFP**  
Department of Insurance  
Financial Institutions &  
Professional Registration

## Make sure your insurer lists your job classification codes and payroll correctly

The calculation of a policy's premium is, in large part, determined by the job classification codes and payroll amounts. If there are errors or inaccuracies in these underlying elements, a carrier may be overcharging the employer. Don't assume the numbers are accurate. Remember that Missouri recognizes nearly 600 job classification codes and choosing which is the appropriate code is sometimes a matter of judgment. Be concerned particularly if your insurer has changed your policy's governing class code to a code with a higher base rate. Also, be aware that if you have moved to a new insurance company, they may audit your business and argue that a new governing class code is appropriate. If you have questions about this decision, or other aspects of the data used to calculate your premium contact the Department of Insurance, Financial Institutions & Professional Registration.

## Determine if your insurer has a schedule rating program

Many insurers have developed a standard schedule of rate debits and credits that increase or decrease policy premiums based on the existence of certain factors or conditions. For example, many insurers give credits to employers who utilize safety programs. Check to see if such a schedule is available from your insurance company and, if applied, would lower your premiums.

Also, be aware of any conditions associated with the credit. For example, if the insurance company's schedule rating program provides a credit for a safety program as long as you maintain the program, the insurance company should not remove the credit unless you have stopped implementing it.

## If you are a small employer, consider using Missouri Employer's Mutual Insurance Company

Missouri Employers Mutual Insurance Company (MEM) was established in 1993 by state law as a state-sponsored, not-for-profit insurer to provide a competitive source of coverage for small employers and others seeking workers' compensation coverage.

## If you are a high-wage construction employer, determine if the Missouri Contractors Credit Premium Adjustment Program (MCCPAP) program applies

MCCPAP allows premium credits for construction employers whose wage rates exceed the state's average weekly wage. Insurance companies are supposed to inform eligible employers of the availability of the program. If you believe you might qualify, but have not received an application form, contact the Department for a list of job classification codes that are considered "construction codes" for purposes of the credit.

## Shop around for coverage

Prior to 1994, the Department set the rates to be charged for workers' compensation insurance in Missouri. Today, premium rates in the voluntary market (as opposed to the residual market or "pool") are deregulated. Voluntary market insurers set their own premium rates and rating plans, so it makes sense to shop for the best rates.

The department's site can help you in this process. You can type in your 4-digit job classification code number and the site will provide you with a comparison of the base rates charged for that code by the insurance companies writing workers' compensation insurance in Missouri. The address is <http://insurance.mo.gov/consumer/wc/index.htm>.

Once you have narrowed the field down to a workable number of insurers, contact agents or brokers representing these companies for a quote. Make sure the quotes are based on the same job classification codes and payroll numbers. Don't forget to inquire about possible credits and other premium adjustment programs.

## Implement a safety program

If you have an experience modification factor or mod, you will pay less in the long run for premiums if your losses are less than those of similar businesses. In addition, the cost of insurance is only one of the costs associated with injuries. Another cost is the loss of productivity associated with having employees off the job. Thus, for economical and ethical reasons, it pays to keep accidents from occurring in the first place. Safety programs, if properly implemented, can help reduce the probability of injuries.

Check with your insurance company about its safety programs. Each insurer is required to have a program that has been reviewed by the Missouri Division of Workers' Compensation.

## Find out if your employer uses a managed care program

Managed care organizations organize networks of doctors who are willing to provide services for reduced fees. Using such a network can help reduce your workers' compensation medical costs, which should help lower your mod. Many insurers have signed up with such networks. Ask your carrier whether they have such a program available for use. There may even be a premium credit associated with such a program.

## Consider implementing a return-to-work (RTW) or modified duty program

Research indicates it is important to bring injured employees back into the workplace as soon as practical, even if it is not to the same job they left. RTW and modified duty programs are designed to accomplish this. For example, while an employee's recovery from injury may not have progressed to where he or she can return to his or her previous job on the loading dock, he or she may be able to handle other, less strenuous duties. While this may not be possible for some employers, given the size of their operations, those with a larger workforce, a varied workplace or a degree of employee turn-over may be able to accommodate an RTW program.

## Look at your loss runs to see when and where your losses are occurring, and take measures to avoid these losses

Loss runs are print outs that show where and when accidents occur. They are often available from your insurance company if you ask for them. Particularly for those large employers who experience frequent on-the-job injuries, they can help manage spot-loss trends, so that remedial measures can be taken.

## Keep abreast of open workers' compensation claims

Monitor your carrier's handling of claims, and ask questions if something seem out of the ordinary. In the vast majority of cases in Missouri's workers' compensation system, the injured employee accepts and receives the benefits required by law without any disputes. However, if the insurer is slow to provide benefits, an employee may become concerned and feel the need to hire an attorney. If there is no good legal reason for the insurer's delay, it's best both for you and your employee to make sure benefits are paid promptly. On the other hand, if you have reason to believe benefits should not be paid (e.g. fraudulent claim) you also need to communicate with your insurer and monitor the disposition of the claim.

## Re-evaluate your purchase decision every few years

After the deregulation of the premium rates in the voluntary market, the state has seen an extended period of competition between insurance companies over rates. Because the voluntary workers' compensation market is more dynamic than it was prior to deregulation, it makes sense for employers to periodically re-evaluate their options. Two key considerations should be evaluated: 1. Are you getting the level of service from you insurer that you need? and 2. Is the service being provided at a competitive price?

## If something has happened that seems unfair or inappropriate, call the department

The workers' compensation insurance system in Missouri and other states operates under a rather extensive set of rules. Employers are not expected to know the details of these rules; however, if you as an employer believe you are not being treated fairly, or if you just have questions, consider contacting the department.